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Delays in housing projects questioned Newark agency tells judge it wants to buy
out and replace developer

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The Newark Housing Authority's attorney said yesterday the agency is trying to get
rid of a politically connected developer who has failed to complete three
low-income housing projects, including one that was criticized in a federal audit
as being severely delayed.

During a court hearing yesterday, U.S. District Judge Dickinson Debevoise
questioned authority officials about why Tony Gomes Construction is taking so long
to complete two projects that are part of a settlement the authority reached to
replace demolished high-rise housing in the city.

"He's been in violation of the contracts for some time now, and it goes on and
on," Debevoise said.

Housing authority General Counsel Oliver Lofton told Debevoise that Gomes was
having trouble obtaining the necessary permits from the city of Newark. Without
permits, Gomes can't get financing or bonding for the project, Lofton said.

"If you can't get building permits from the city of Newark for the Newark Housing
Authority, I find that startling," Debevoise said later.

Lofton said the authority wants to negotiate to buy out Gomes and bring in
another developer, rather than removing Gomes, which could lead to a long legal
entanglement that would delay the project further.

Contacted after the hearing, Gomes denied that he was responsible for the delays.

"They (the housing authority) tried to create problems for me. I don't know why,"
he said.

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In January, The Star-Ledger reported that Gomes was awarded \$48 million in contracts from the troubled authority. Most of those contracts were awarded after state Sen. Ronald L. Rice, who was employed by the company, was named a deputy mayor by Newark Mayor Sharpe James in 2002. After the stories ran, Rice resigned from Gomes' company.

Debevoise raised questions about a \$14 million contract to build 88 units of housing in the South and West wards and an \$8.7 million contract to build 56 units on Elizabeth Avenue.

Gomes' other project with the authority is Walsh Homes South, 75 units of townhouses for \$12.56 million near Graffon Avenue in the North Ward. The federal Department of Housing and Urban Development cited the project as having missed six important deadlines and as being "fraught with delays."

The Walsh Homes South project is being completed with \$49 million in federal Hope VI funding. If the delays continue, the authority could be fined or have the funding revoked.

"The ultimate is to lose all of the funding," said HUD spokeswoman Donna White. It's never happened, but White said "there's always a first for everything."

In its audit, HUD cited numerous instances of misspending and mismanagement. It ordered the Newark Housing Authority to return \$6.4 million in Section 8 Housing Choice Voucher reserve money that it says the authority misused, including \$3.9 million to buy 12 lots for a downtown redevelopment zone that includes a \$310 million arena for the New Jersey Devils. The authority's board of commissioners voted to return the money last week, but HUD said its audit will continue.

The housing authority also was classified as a troubled agency in danger of a federal takeover. HUD also will have the authority's 2004 and 2005 books re-audited and the HUD Office of Inspector General is conducting an audit.

The Newark Coalition for Low Income Housing sued the housing authority and HUD to replace units lost when Columbus Homes was torn down. As part of a 1989 settlement, the housing authority agreed to build 1,777 units of housing. As of today, 1,503 of those units have been built, 144 are under construction and 88 are pending approval, according to the authority. Debevoise is overseeing the settlement.

The housing authority awarded Gomes the \$14 million, 88-unit contract against the advice of its own consulting firm.

"I would prefer to see them successfully complete at least one project that has been awarded to them before they receive another one," the consulting firm, Barbera & Barbera CPAs of New Providence, told the housing authority. The firm also was concerned that Gomes would not be able to finance the project.

Gomes was awarded the contract after the NHA rejected a bid from Claremont Construction. Barbera & Barbera rated Claremont as "liquid, well managed and capitalized very well." Lofton has said the authority reconsidered Claremont's winning bid after the final price turned out to be higher than expected.

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Debevoise ordered the special master on the case, Gus Henningburg, to investigate why Gomes' projects are delayed and report back to the court.

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---- INDEX REFERENCES ----

INDUSTRY: (Residential Real Estate (1RE67); Housing (1HO3B); Urban Housing Policy (1UR02); Real Estate (1RES7))

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